

City of Rockville Retirement Board

May 21, 2010

PRESENT: Carlos Vargas acting as Chairperson and for the City Manager; Anita McCombs, AAME Representative; Kyle France, Union Representative; Cpl. Chris Peck, FOP Representative. Also in attendance were Gavin Cohen, Executive Secretary to the Board; Tim Peifer, Financial Systems Manager; Daisy Harley, Personnel Administrator; as well as Amy Heyel and Taylor Dabrowski, Segal Advisors.

ABSENT: Alex Espinosa, Chairperson and Mark Pierzchala, Councilmember.

The meeting commenced at 10:10 a.m. with introductions.

I. Approval of Minutes February 19, 2010:

Mr. Vargas requested that at the bottom of Item VII to make a note "no action will be taken on this item until the fall based on discussions with the FOP". Mr. Vargas moved to approve the minutes with this added note Cpl. Peck seconded. All were in favor.

II. Principal Financial Group Update:

Mr. Cohen gave a brief review of the status of the contract with Principal, specifically as it relates to the Benefit Index. He noted that he has had several conversations with Segal Advisors and Principal to discuss options. He reported that Segal Advisors provided detailed information regarding its parent company's, the Segal Company, understanding of and experience with the Group Annuity Account structure of Principal's benefit experience with other clients, who were in similar contractual relationships with Principal. He stated that Principal would not allow the client or its third party actuary to audit proprietary information used to calculate the benefit index. In addition, Principal concluded that the terms of the contract were not negotiable in any fashion. Therefore, it does not seem logical at this point to audit the Benefit Index, as the likelihood of affecting change is minimal. Mr. Cohen also stated that the Board is considering issuing an RFP for actuarial services following the Vendor Search and that a review of the liabilities, calculated by Principal as the current actuary would make sense at this time.

Mr. Vargas suggested it would make sense to talk about Item V.-Vendor Search now. Mr. Cohen said that only a few items could be discussed due to the City currently being involved in the RFP process. He stated that currently there were five responses. He felt that part of the problem with getting so few responses could be that the plan consisted of the DB & Thrift together. The reviewing team will consist of Mr. Cohen, Mr. Vargas, as well as Mr. Snyder, Ms. Heyel, Ms. Dabrowski, from Segal Advisors and Mr. DeFrehn from Sibson Consulting. The committee will finish the review in three weeks and Segal Advisors will provide a report to the City the week of June the 21st. There will then be up to three finalists chosen and they will give their presentations to the Board on July 9, 2010. All the Board members will participate in this process.

The goal is to have a decision made by early July in order to be able to present to the Mayor and Council at The August 2, 2010 meeting.

Mr. Vargas made a motion to support staff recommendation of not spending \$15,000 for an independent audit until after the vendor search is finalized. Cpl. Peck seconded. All were in favor.

III. Performance Review 1st Quarter End March 31, 2010:

Ms. Heyel highlighted the financial market conditions and reviewed the Pension report. As of March 31, 2010, the Plan was valued at \$53.7 million, which was an increase of \$4.2 million for the quarter. The asset allocation was in-line with the target ranges. For the 1-year period, the Plan outpaced the Policy Index by over 2.5%. There was concern expressed by Staff over the Manning & Napier relative performance. Segal discussed with the Board continuing to review their performance and review potential replacements in conjunction with a year-end review. The Board was disappointed with the timing of the real estate investment and the poor performance.

Finally, Ms. Heyel and Ms. Dabrowski reviewed the Thrift Plan. At the last meeting Ms. Dabrowski and Ms. Heyel discussed with Ms. Mathis from Principal targeting education to the people with all assets in the Money

Market. They need to ensure that she continues to work on this. Ms. Heyel reviewed the Fund performance. The Funds that are currently on the Watchlist will remain on the Watchlist given the Vendor Search. However, performance has improved over the short term.

IV. RB Trust Performance Review 1st Quarter end March 31, 2010:

Mr. Vargas stated that Manning & Napier are under performing the benchmark and we should keep watching the results closely. It was decided it is too early in the business cycle for a change.

V. Vendor Search RFP:

This item was discussed with Item II.

VI. Board Member Liability Coverage:

Mr. Cohen stated that the Board member liability coverage is in line with what it should be. It is specialized coverage and the bottom line is that everyone on the Board is covered appropriately.

VII. Service Credit Buyback Window:

Mr. Cohen proposed that a window from July 1 through August 31 be open for a service credit buyback. It will be presented at the Mayor and Council meeting on June 14, 2010 with Amendment language already approved by the Board. Cpl. Peck made a motion for a recommendation for the Board to approve temporary open window from July 1 – August 31 for prior service buyback credit subject to Mayor and Council approval. Mr. France seconded. All were in favor.

VIII. Discussion Options for Future Agendas:

- Review of quarterly performance reports
- Plan Design report from Principal
- Vendor Search Award
- Review of Educational Topics-Staff
- Plan Date Change

Mr. France made a motion to adjourn at 11:45. Cpl. Peck seconded. All were in favor.